

AIRASIA BERHAD

SECOND QUARTER 2014
ANALYST PRESENTATION



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2014

KEY FINANCIAL HIGHLIGHTS



AirAsia

KEY HIGHLIGHTS – 2Q14

MALAYSIA

- Revenue of RM1.3 billion up 5% y-o-y
- Operating profit of RM174.2 mil down 17% y-o-y due to TAA losses (flat y-o-y if exclude TAA losses)
- Profit after tax of RM367.2million up 529% y-o-y
- EBIT Margin of 13% and EBITDAR margin of 32%
- CASK-ex fuel flat y-o-y at US cents 2.01 whilst CASK up 7% y-o-y to US cents 4.12
- RASK decline ended - up 2% y-o-y to US cents 4.76
- Ancillary Income continue to perform - Ancillary Income Per Pax up 13% to RM45
- Load Factor of 80%

ASSOCIATES

- Thailand - Malaysia equity accounts a net loss RM13.6 million due to continuous political unrest in the country.
- AAE Travel - Malaysia equity accounts RM3.0 million
- AACOE - Malaysia equity accounts RM2.0million
- India commences operation out of Bangalore. Load factor in high 80s
- Announcement of AirAsia Japan. To be re-launch next year

STRATEGY

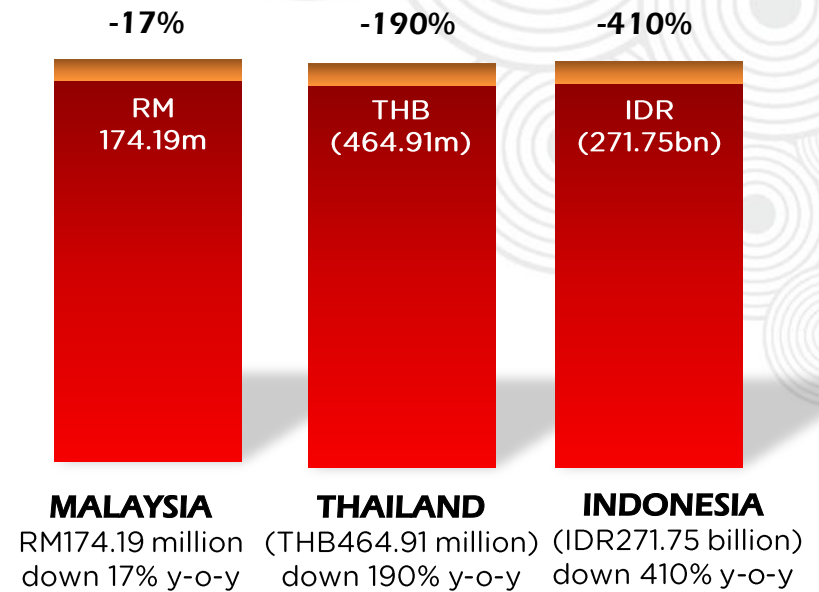
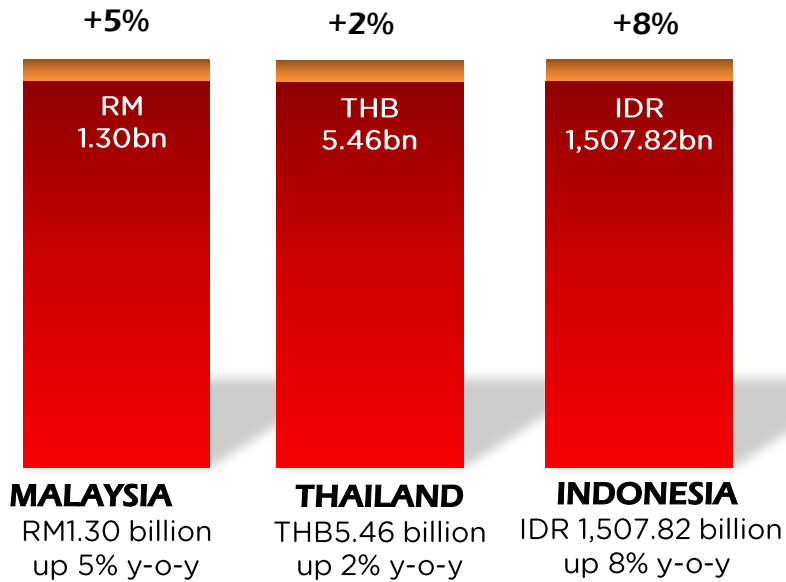
- Remain focus on the three pillars of strength at AirAsia
 - Airline passenger revenue
 - Ancillary income
 - Private equity businesses (AirAsia's investments)



KEY HIGHLIGHTS – 2Q14

REVENUE GROWTH

FUEL, POLITICAL AND CURRENCY DROVE DOWN OPERATING PROFIT



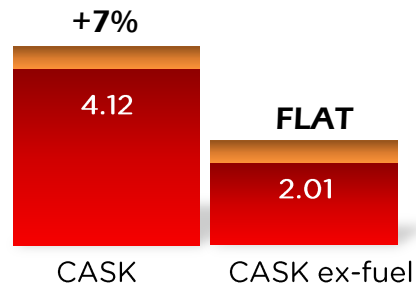
REVENUE

OPERATING PROFIT

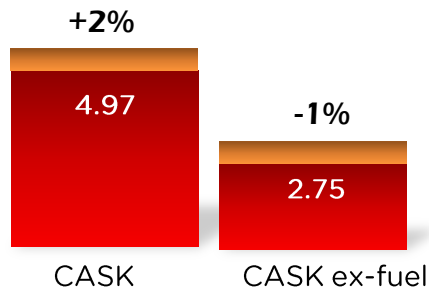


KEY HIGHLIGHTS – 2Q14

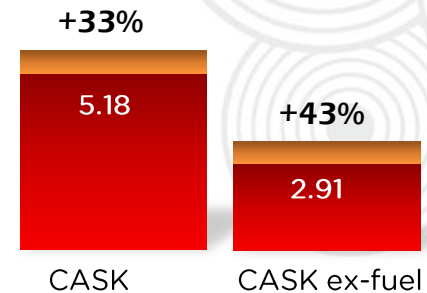
CASK ACROSS ALL AOC (US CENTS)



MALAYSIA



THAILAND



INDONESIA

MAA CASK increase due to:

- Fuel price up 9% y-o-y
- Average fuel price for 2Q14 is US\$129 vs US\$119

TAA CASK increase due to:

- Depreciation – due to more aircraft on balance sheet
- Operating expense – increased expenditure in marketing of new routes and promotional during low season

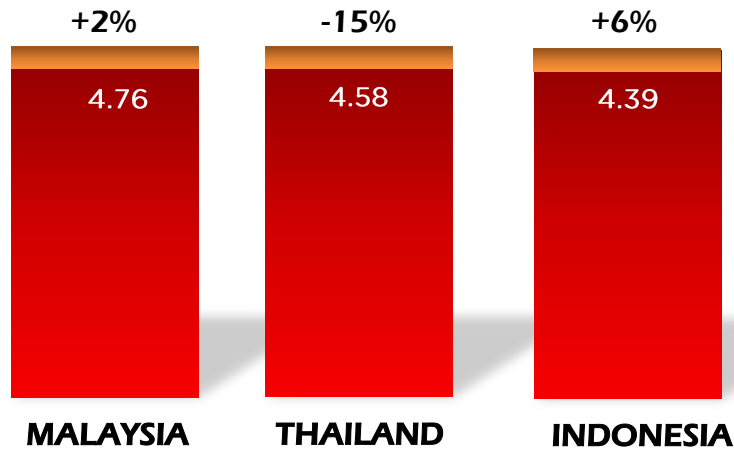
IAA CASK increase due to:

- Leasing, Fuel and maintenance expense. All driven by y-o-y currency impact



KEY HIGHLIGHTS – 2Q14

RASK DECLINE HALTED



RASK (US CENTS)

MAA:-

- RASK up 2% driven by better ancillary performance
- Average fare down 1% due low season but fare pressure from competitors is easing

TAA:-

- RASK down 15% due to fall in average fare by 14% driven by political issues
- Decline in Chinese inbound traffic in 1H14.

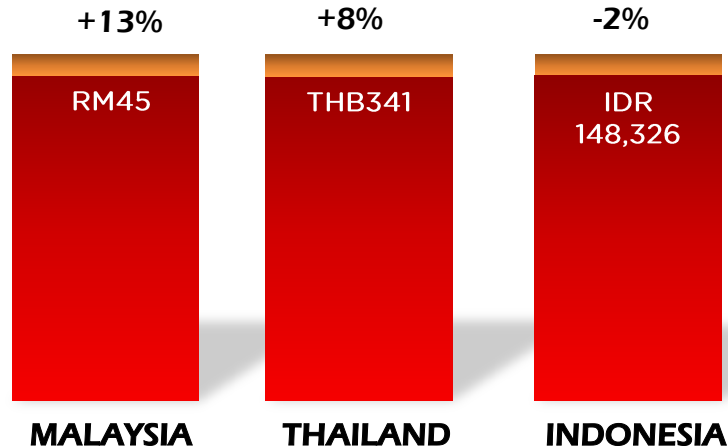
IAA:-

- RASK up 6% due to increase in average fare by 6%.
- Cutting of non profitable routes led to better performance route



KEY HIGHLIGHTS – 2Q14

ANCILLARY GAINING MOMENTUM



ANCILLARY INCOME PER PAX

Baggage Supersize

- Baggage take-up remains steady despite increase in prices
 - 42% take up

Assigned Seating

- Assigned seats revenue improvement with more take up
 - 32% take up

Cargo

- Improvement in freight performance

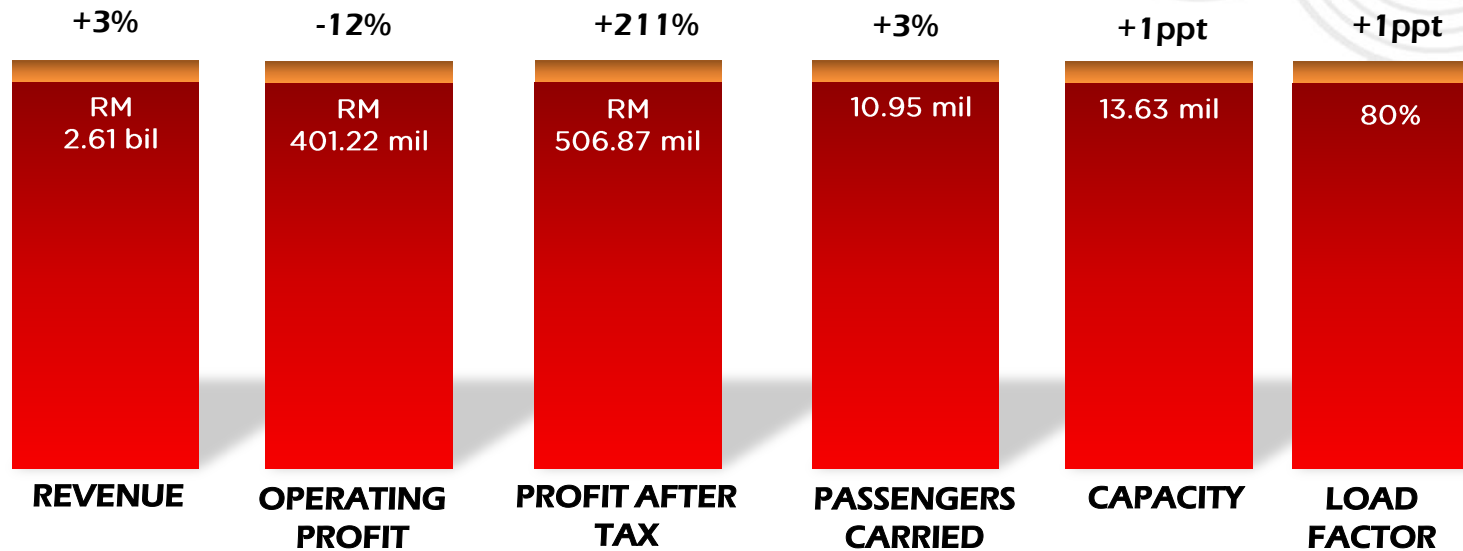
Advertising

- Aggressively monetising add space in aircraft, aircraft livery and in-flight magazine. Double revenue growth y-o-y



KEY HIGHLIGHTS

– 1H14 PERFORMANCE



1H14 – Key Highlights

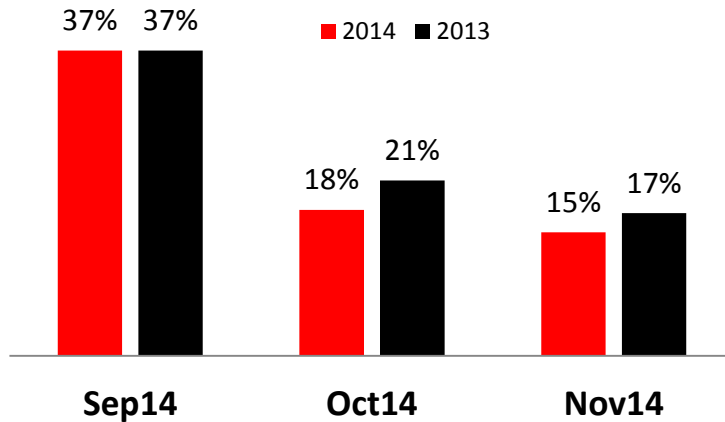
- 1H14 capacity up 1% due to route rationalisation exercise to ensure profits are optimised
- RASK of US cent 4.77 is flat y-o-y
- Average fare dropped by only 5% but Ancillary Income Per Pax is RM45, up 7% y-o-y
- CASK up 3% y-o-y at US cent 4.04, CASK ex-fuel flat y-o-y



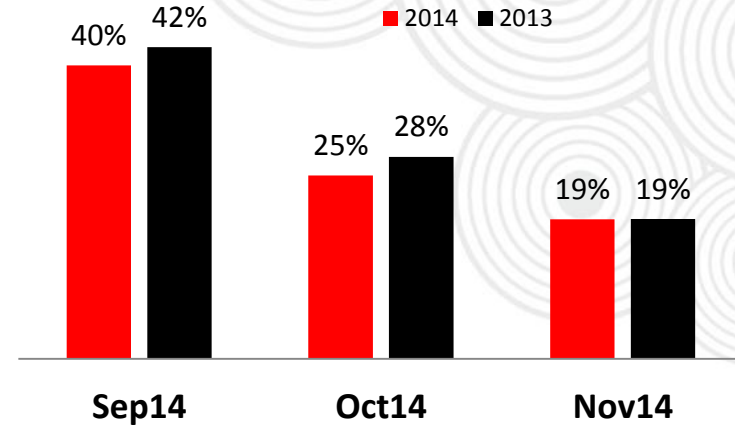
FORWARD BOOKINGS

- 2014 forward bookings are generally higher than 2013's
- Historically stronger pick up on month of travel

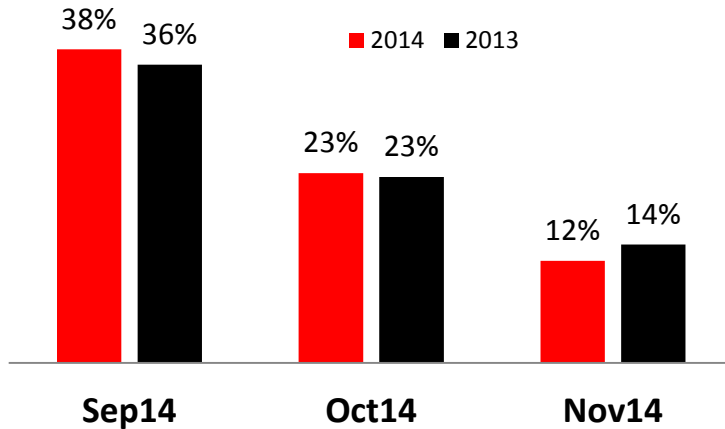
MAA



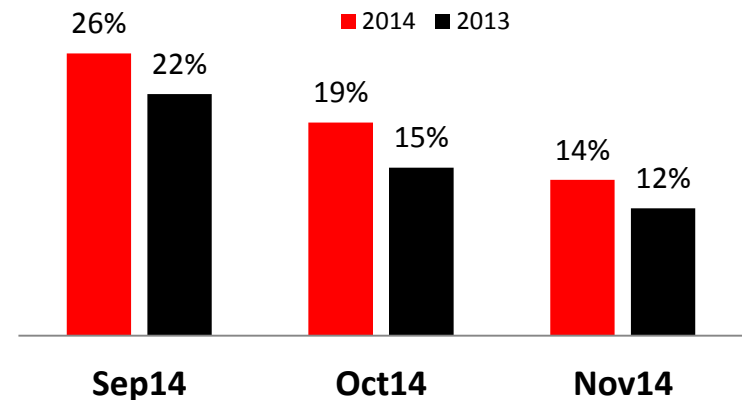
TAA



IAA



PAA



OUTLOOK & STRATEGY

The AirAsia logo, featuring the brand name in a white, cursive script font, centered within a solid red circular background.

AirAsia

THREE PILLARS OF STRENGTH

- Airline Business

MALAYSIA

- As the market is seeing a reduction in capacity, MAA is adding 7 aircraft in 2H14
- Expanding hub in Johor Bahru and Kota Kinabalu
- Fly-Thru booming - Asia with one stop
- Competition - MAS restructuring and Malindo no growth

THAILAND

- To see recovery in 2H14 and plan to achieve profitability
- 3 aircraft to be added in 2H14
- Focus on secondary hub in Chiang Mai
- To cross feed TAAX into the short haul business
- New interim government in place, curfew was removed to encourage tourism to return



THREE PILLARS OF STRENGTH

- Airline Business

INDONESIA

- Network optimisation almost complete
- All top loss making routes have been terminated
- Focus on building frequencies on trunk routes and introducing new routes
- Target to be profitable in 2H14
- Consolidation of smaller airlines continues as Tiger Mandala terminated its operations
- Only three main LCCs remain – Indonesia AirAsia, Lionair and Citilink
- Expansion of Terminal 3 – Due to open in 2015

PHILIPPINES

- Turnaround plan in place
- Network re-alignment has been done
- Aggressively push marketing efforts in Korea and China
- Build S&D to optimise profitability
- To promote Kalibo as a key hub - Redevelopment of Kalibo Airport
- To look at expanding Terminal 4
- Normalisation of irrational competition, fares moving up

INDIA

- To take 3 more aircraft in 2H14
- Focus on Bangalore as a hub
- Potential consolidation of airlines
- VAT to be reduced in some states



THREE PILLARS OF STRENGTH

- Airline Business

CAPACITY MANAGEMENT

- Have converted CEOs to NEOs with Airbus
- To manage growth, ensuring all country operations focus on maximising profits from current routes
- Allowing operations in Indonesia and Philippines to execute turnaround plan and Thailand to recover from political unrest which impacted tourism
- Growth to be given to new markets like Japan and India

A. Fleet Order	2015	2016	2017	2018
CEO Orders	17	24	9	
NEO Orders		4	22	32
Total Fleet Orders Before Deferment	17	28	31	32
CEO Deferral (Proposed by Airbus)	-4	-10	-9	
NEO Deferral (Proposed by Airbus)			-4	-8
Finalised Acft Delivery post deferment	13	18	18	22

	MAA	TAA	IAA	PAA	AAI	AAJ
2015 Tentative Fleet rollout	2	5	-	-	3	3

CREATING VALUE FROM BALANCE

- In discussion with Airbus to sell 4 slots in 2014 and defer more aircraft to 2015
- First aircraft sale done on 7 August 2014
- 3 three aircraft being reserved by buyers for pre-inspection
- Residual value from aircraft retired can be used to reduce debt on replacement aircraft
- To maintain a very young fleet by replacing aircrafts at 12 years in line with company's cost reduction exercise
- Take advantage of FX rate through with US strengthening with potential gain on sales
- To use cash on sale to reduce further cost of aircraft purchase
- Target of 12 aircraft remains. Once buyers confirmed, aircraft will be removed from operations



THREE PILLARS OF STRENGTH

- Ancillary Income

- **TO DRIVE CORE ANCILLARY TAKE UP.**
 - Achieved RM45 in 2Q14 - Target to achieve RM50 by year end
- **DUTY FREE**
 - Duty Free business to be launch on end August
 - Credit payments to be available on board
 - Pre-book duty free available on booking path
 - Passenger forecasted to spend on average RM5 which will add to ancillary income spent
- **ON-BOARD WIFI**
 - AirAsia activated and tested its on board Wi-Fi
 - Instant messaging platform of LINE, Whatsapp and WeChat to be launch
 - Email and content streaming in phase 2
 - To be commercially launched in 3Q14
- **FLY-THRU** – Introducing more connecting flights with AAX and other AOCS
 - Group carried 735,010 fly-thru pax in 1H14 up 96.3%
 - Total connecting fees in 1H14 is RM44.1 mil (MAA is RM15.8mil)
 - Total 739 Fly-Thru routes currently: KUL (635); DMK (104).
 - CGK is scheduled to start as Fly-Thru hub in Sep'14. DPS & BKI are scheduled to operate as Fly-Thru hub in Q4-2014.
 - Fly-Thru transit layover time window @ KLIA2 increased from 120-360mins to 90-600mins, enabling more connecting city pairs and flight pairs.
- **PREMIUM FLEX**– Launch new high flyer product “Premium Flex”
 - Baggage included, free flight change, priority seating, boarding
 - Special check in counters for premium flex users
 - To introduce priority baggage drop, pick-up and exploring express security and immigration checks.
- **CARGO - REDBOX**
 - AirAsia own's low cost courier with door to door services riding on AirAsia network
 - no investment cost to AirAsia as ground handling is exclusively done by R Box Asia



THREE PILLARS OF STRENGTH

- Private Equity Investment

AirAsia Expedia

- Revenue is up 53% y-o-y outpacing Q1 growth of 34%
- Revenue mainly driven from hotel transactions
- Packages Air and hotel seeing 55% growth driven Hong Kong and Thailand
- Further investment behind Korea and Hong Kong continues to drive Revenue performance
- AAE performance will drive valuation upwards. Potential current valuation of US\$500 mil

BIG Loyalty Programe

- Currently 11.8 million members with target to hit year end of 12.5 million members
- Now you can earn points at all outlets at Paradigm Mall and KLIA2 Gateway
- 21 million points earned from Paradigm and 600,000 from KLIA2 Gateway
- Petronas, CIMB Niaga, K-Bank, Hilton partners launch
- Launching BiG loyalty in India

AirAsia EZPay Virtual/Passport (Tune Money)

- Subject to Bank Negara approval
- EZPay is prepaid solution operated in closed loop payment network used within AA Group (e.g Touch n Go). Closed loop network will eliminate acquiring bank charges and lower MDR rate
- Passport may hold up to 8 wallets each containing different currencies. Users can load up amounts into wallet to be spent in the default currency in the country they spending

Tune Insurance

- Crystallising investment in Tune Insurance
- Sold 19 million shares with a disposal gain of RM42 million

Leasing House

- License submitted to Labuan and target commencement in September
- To manage only aircraft sublease to affiliates. All aircraft operated by MAA remains in MAA's books
- To begin novation of aircraft to leasing entity in September
- To monetise entity by securing leasing investor



The image features a central red circle containing the AirAsia logo in white script. This central element is surrounded by a network of black dotted circles of varying sizes, some of which are interconnected by thin black lines, creating a molecular or network-like structure. The background is white.

AirAsia